

Message Text

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FM SECSTATE WASHDC

TO USCINCSO

C O N F I D E N T I A L STATE 049790

FOLLOWING SENT ACTION BRASILIA, INFO RIO DE JANEIRO, FROM
SECSTATE, MARCH 17, 1973 REPEATED TO YOU:

QUOTE

E. O. 11652: GDS

TAGS: MASS US BR

SUBJECT: SALE OF F-5' S AND C-130' S

REF: MILGP MSG 1419552 FEB 73

STATE 37873

BRASILIA 1212

1. FYI. USG APPROVES FMS SALE OF 9 C-130' S AND SUPPORT
PACKAGE AT \$60 MILLION. AS REGARDS F5 E' S, WHILE STATE
AND DOD FAVOR THIS SALE, THE LAW PERMITS THE SALE OF
SUCH SOPHISTICATED AIRCRAFT TO DEVELOPING COUNTRIES ONLY
IF THE PRESIDENT MAKES A DETERMINATION THAT SUCH A SALE
IS IMPORTANT TO THE SECURITY OF THE U. S. WE ARE PRE-
PARING FOR INTERAGENCY CLEARANCE RECOMMENDATION TO THE
PRESIDENT THAT HE MAKE SUCH A DETERMINATION IN THE CASE
OF BRAZIL. HOWEVER, WE BELIEVE ANY INDICATION TO
BRAZILIANS AT THIS JUNCTURE THAT SALE OF F5 E NOT FINALLY
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AUTHORIZED COULD PREJUDICE NEGOTIATIONS.

2. FINANCING. AGGREGATE AMOUNT OF U. S. SECURITY ASSISTANCE TO LATIN AMERICAN COUNTRIES IS CURRENTLY LIMITED BY LAW TO \$150 MILLION INCLUDING PRESIDENTIAL NATIONAL SECURITY WAIVER. THE EXECUTIVE BRANCH BUDGET SUBMISSION

FOR FY 1974 WHICH IS NOW BEFORE CONGRESS INCLUDES A REQUEST OF \$171.4 MILLION FOR LATIN AMERICA (\$150 MILLION FMS CREDIT; \$10.7 MILLION TRAINING ; \$10.7 MAP MATERIEL). DUE TO CEILING AND MAGNITUDE OF C-130/ F-5 PACKAGE (\$170-180 MILLION), FINANCING OVER A PERIOD OF YEARS (FY 73- FY 76) WOULD BE REQUIRED. CREDIT OUTLOOK FOR COMING YEARS FOLLOWS:

FY72- FY73. EXECUTIVE BRANCH BUDGET REQUESTS WERE DECREASED ABOUT 23 BY CONGRESSIONAL ACTION. THESE REDUCTIONS REQUIRED ASSESSMENT OF WORLD- WIDE PRIORITIES AND RE- ALLOCATION AMONG PROGRAMS. PRIOR YEAR COMMITMENTS ORDINARILY ARE ACCORDED HIGHEST PRIORITY. ABOUT 2/3 OF THE OVERALL FY 74 REQUEST IS MADE UP OF THESE MULTI- YEAR COMMITMENTS.

FY 1974. THE 1974 FMS BUDGET REQUEST TO CONGRESS CONTAINS A LEVEL OF AROUND \$50 MILLION FOR BRAZIL, BUT UNTIL CONGRESS ACTS, AND FUNDS ALLOCATED, IMPOSSIBLE FORECAST AMOUNT AVAILABLE FOR BRAZIL.

FY75 AND FY76. SIZEABLE COMMITMENTS HAVE ALREADY BEEN MADE FOR FY75 AND FY76 UNDER MULTI- YEAR ARRANGEMENTS, THEREFORE WE ARE NOT YET IN A POSITION TO OFFER GOB AN UNDERSTANDING ON MULTI- YEAR FINANCING. ADDITIONAL UNDERTAKINGS OF THE MAGNITUDE TO MEET THE BRAZILIAN SALE PRESENT SERIOUS PROBLEMS. MULTI- YEAR FINANCING REQUIRES PRESIDENTIAL APPROVAL BECAUSE FUTURE YEAR COMMITMENTS OF APPROPRIATED FUNDS PRE- EMPT THE PRESIDENT'S ANNUAL DECISIONS ON THE PROGRAM AND BUDGET, THEREBY REDUCING HIS FOREIGN POLICY AND BUDGETARY FLEXIBILITY TO ALLOCATE FUNDS VOTED BY CONGRESS. END FYI.

3. PENDING DECISIONS ON SALE OF F5 E AND ON MULTI- YEAR FINANCING, WE BELIEVE YOU SHOULD OFFER INTERIM REPLY TO ORAL BRAZILIAN AIR FORCE QUESTIONS ON CREDIT AVAILABILITY, BUT SHOULD NOT SUGGEST THAT APPROVAL OF F5 E SALE ITSELF PRESENTS PROBLEMS. ACCORDINGLY, YOU ARE AUTHORIZED TO INFORM GOB OFFICIALS THAT OFFER OF MULTI- YEAR FINANCING
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IS UNDER ACTIVE CONSIDERATION. IN MEANTIME, FOR PURPOSES

OF ADVANCE DISCUSSIONS, YOU ARE FURTHER AUTHORIZED TO INFORM GOP OFFICIALS THAT: A. IN THE EVENT \$2-4 MILLION DIRECT FMS CREDIT WERE REQUIRED IN FY 1973 TO COVER LONG LEADTIME ITEMS, THE U. S. WOULD AUTHORIZE THE USE OF FUNDS PROVIDED IN THE \$15 MILLION CREDIT AGREEMENT SIGNED ON 27 FEBRUARY. B. IN FY 1974 USG WOULD PLAN TO RESERVE FOR BRAZIL APPROXIMATELY \$50 MILLION IN FMS CREDIT (OR NO LESS THAN ONE- THIRD OF ALL FMS CREDIT WHICH HAVE BEEN REQUESTED FOR ALL LATIN AMERICAN COUNTRIES). THIS CREDIT WOULD BE OFFERED AS A MIX OF DIRECT FMS CREDIT AND PRIVATE CREDIT) EQUAL TO THE COST OF MONEY TO THE USG AT THE TIME THE CREDIT AGREEMENT IS SIGNED. THE

TERMS OF THE CREDIT WOULD BE EIGHT YEARS WITH THE POSSIBILITY OF INCLUDING ONE OR TWO YEAR GRACE PERIOD. AVAILABILITY OF CREDIT FUNDS OF COURSE DEPENDS ON ADEQUATE CONGRESSIONAL APPROPRIATIONS.

C. IF MULTI- YEAR COMMITMENT NOT POSSIBLE, USG WILL CONSIDER FINANCING REMAINDER OF PACKAGE ON A YEAR TO YEAR BASIS THROUGH PRIVATE INSTITUTIONS WITH USG GUARANTY AND/ OR WITH DIRECT FMS CREDIT. HOWEVER, THERE IS THE POSSIBILITY THAT FUNDS IN ADDITION TO THOSE MENTIONED ABOVE MIGHT BE NEEDED IN FY 1974 OR SUBSEQUENT YEARS TO COMPLETE THE TOTAL FUNDING REQUIREMENT. IN SUCH EVENT, TWO POSSIBILITIES ARE: (1) A CASH CONTRIBUTION BY GOB (E. G., DOWN PAYMENT); AND (2) FURTHER UTILIZATION OF PRIVATE CREDIT OBTAINED BY THE CONTRACTOR BUT WITHOUT USG GUARANTY. D. THE USAF WOULD PROVIDE GFAR, AGE AND SPARES UNDER FMS PROCUREMENT PROCEDURES TO THE MAXIMUM EXTENT POSSIBLE, AND CONSISTENT WITH AIRCRAFT DELIVERY SCHEDULE, AND THEREBY GENERATE PRICE SAVINGS NOT POSSIBLE IF PROCUREMENT WERE ACCOMPLISHED ON A WHOLLY COMMERCIAL BASIS. E. THE USAF WOULD PROVIDE FOLLOW- ON SPARES USING PROCUREMENT PROCEDURES AND PRICINGS BASED ON WORLD- WIDE F5 E AND C-130 PROCUREMENT ACTIONS UNDER NORMAL FMS PROCEDURES. F. THE USAF WOULD PROVIDE ON A REIMBURSABLE BASIS, PILOT AND MAINTENANCE AND SUPPORT TRAINING FOR THE F5 E AND C-130 AIRCRAFT, IF REQUIRED BY THE GOB. G. PLANNING P& A (PRICE AND AVAILABILITY) DATA FURNISHED BY USAF IN CONFIDENTIAL

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THE FALL OF 1971 INCLUDED A MOBILE TRAINING SYSTEM. THE NEED FOR AN MTS HAS RECENTLY BEEN REVIEWED AND AT THE PRESENT TIME AN MTS IS NOT DEEMED NECESSARY; NONE IS AVAILABLE ON A LOAN BASIS. SIGNED ROGERS

UNQUOTE ROGERS

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